

Organizations exempt from Federal income tax under section 501 as described in section 501(c)(3) of the Internal Revenue Code of 1954 may make distributions of income or other unrestricted funds to a state or municipality, or to an activity which is an integral part thereof, without jeopardizing their exempt status, provided such distributions are in furtherance of the exempt purposes of the donor organizations.

Advice has been requested whether an exempt organization, which has qualified as one described in section 501(c)(3) of the Internal Revenue Code of 1954, may distribute its income or other unrestricted funds, in part, to a state, or municipality, or to an activity which is an integral part thereof, without jeopardizing its exempt status under section 501 of the Code.

Revenue Ruling 60-384, C.B. 1960-2, 172, holds, in part, that a state or municipality itself does not qualify as an organization described in section 501(c)(3) of the Code since its purposes are clearly not exclusively those described in that section of the Code. It also states that where the particular branch or department, under whose jurisdiction an activity for which exemption is claimed is being conducted, is an integral part of the state or municipal government, the provisions of section 501(c)(3) would not be applicable and such an activity could not meet the requirements for exemption under that section.

However, an organization exempt from Federal income tax pursuant to section 501(c)(3) of the Code may properly make distributions of income or other unrestricted funds to a state or a municipality, or to an activity which is an integral part thereof, without jeopardizing its exempt status under that section of the Code, provided such funds are to be used to carry out the purposes which constitute the basis of the donor-organization's exemption.